

HALF YEARLY REPORT DECEMBER



2022



Sitara Peroxide
Limited

Company Information



Board of Directors	Mr. Yasir Ahmed Awan Mr. Imran Ghafoor Mrs. Sharmeen Imran Mr. Haroon Ahmed Zuberi Mr. Junaid Makda Mr. Saqib Anjum Mr. Saim Bin Saeed	Chairman Chief Executive Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Independent Director
Chief Financial Officer	Mr. Shahid Irshad	
Company Secretary	Mr. Mazhar Ali Khan	
Head of Internal Audit	Mr. Zia-ul-Mustafa	
Audit Committee	Mr. Saim Bin Saeed Mr. Yasir Ahmed Awan Mr. Haroon Ahmed Zuberi	Chairman Member Member
Human Resource and Remuneration Committee	Mrs. Sharmeen Imran Mr. Imran Ghafoor Mr. Saqib Anjum	Chairperson Member Member
External Auditors	M/s Yousuf Adil Chartered Accountants	
Legal Advisor Registered	Sahibzada Waqar Arif	
Office	601-602, Business Centre, Mumtaz Hassan Road, Off. I. I. Chundrigar Road, Karachi - 74000 Ph : (92 21) 32401373, 32413944	
Company Website	www.sitaraperoxide.com	
Bankers	Al Baraka Bank (Pakistan) Limited Askari Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Bank Limited MCB Bank Limited Meezan Bank Limited National Bank Limited Soneri Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited United Bank Limited JS Bank Limited First Women Bank Limited Bank Al Habib Limited	
Share Registrar	THK Associates (Private) Limited Plot No. 32-C, Jami Commercial Street 2, DHA, Phase VII, Karachi - 75500, Pakistan. UAN: (92 21) 111-000-322 Ph: (92 21) 35310183-84 Fax: (92 21) 35310191	
Head Office & Project Location	26 - KM Sheikhpura Road, Faisalabad. Ph : (92 41) 2400900-2, 2400904-5	



DIRECTORS REVIEW

I, on the behalf of Board of Directors of your Company, have pleasure in presenting you the un-audited condensed interim financial information for the half year ended December 31, 2022.

The quarter under review has been very testing period for your Company. The Company is facing challenge of unprecedented rise in tariff of RLNG. The Company uses RLNG as feedstock in manufacturing of Hydrogen Peroxide and its captive power house is also run on RLNG. Unlike exporters, fertilizer manufacturers etc which receive natural gas at subsidized rate, local Hydrogen Peroxide manufacturing industry is exposed to fluctuations in tariff of RLNG in international market. Global demand of RLNG has been on higher side and global supply has been facing bottlenecks; resulting in higher tariff of RLNG to hydrogen peroxide manufacturing industry.

Net sales during the six months period under review remained Rs. 386 million against net sales of Rs. 1,044 million during the corresponding period of financial last year. Drop in turnover during the period is due to decrease in sales volume; and sales volume decreased due to lower capacity utilization of plant. Cost of sales remained to Rs. 499 million as compared to 986 million. Due to lower capacity utilization and rising cost of production, gross margins of your Company remained negative. During first six months, Company incurred net loss after tax of Rs. 220 million and loss per share of Rs. 3.99; as against net loss after tax of Rs. 92 million and loss per share of Rs. 1.67 in corresponding period of last financial year.

During quarter ended December 31, 2022, net sales remained Rs. 71 million against net sales of Rs. 594 million during the corresponding period of financial last year. Cost of sales remained Rs. 145 million as compared to 511 million. The Company incurred net loss after tax of Rs. 111 million and loss per share of Rs. 2.01 against profit after tax of Rs. 7 million and earning per share of Rs. 0.13 in comparative quarter of corresponding financial year.

Despite all challenges, management of the Company has been positive about future business outlook. Demand of hydrogen peroxide and its prices are expected to remain strong in future. We are confident of much improved financial performance in second half of ongoing financial year.

The Board takes this opportunity to thank all stakeholders for their continued support. We also appreciate and acknowledge the continued commitment and hard work of our employees.

Allah may give us the courage to face the challenges ahead. Aameen

On behalf of Board of Directors

HAROON AHMED ZUBERI
Director

IMRAN GHAFUOR
Chief Executive Officer

Faisalabad
April 04, 2023



محترم حصص داروں

مجھے آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے آپ کو 31 دسمبر 2022 کو ختم ہونے والے ششماہی کے لیے غیر آڈٹ شدہ کنڈینسڈ عبوری مالیاتی معلومات پیش کرتے ہوئے خوشی ہو رہی ہے۔ زیر نظر سہ ماہی آپ کی کمپنی کے لیے بہت آزمائشی دور رہا ہے۔ کمپنی کو RLNG کے ٹیرف میں غیر معمولی اضافے کے چیلنج کا سامنا ہے۔

کمپنی RLNG کو ہائیڈروجن پیرو آکسائیڈ کی تیاری میں فیڈ اسٹاک کے طور پر استعمال کرتی ہے۔ اور اس کا کیپیٹو پاور ہاؤس بھی RLNG پر چلتا ہے۔ ایکسپورٹرز، فریٹلائزرز، مینوفیکچررز وغیرہ کے برعکس جو قدرتی گیس سبسڈی والے نرخ پر حاصل کرتے ہیں، مقامی ہائیڈروجن پیرو آکسائیڈ مینوفیکچرنگ انڈسٹری بین الاقوامی مارکیٹ میں RLNG کے ٹیرف میں اتار چڑھاؤ کا شکار ہے۔ آرائیل این جی کی عالمی سطح پر مانگ بڑھ رہی ہے اور عالمی رسد میں رکاوٹوں کا سامنا ہے۔ جس کے نتیجے میں ہائیڈروجن پیرو آکسائیڈ مینوفیکچرنگ انڈسٹری کے لیے RLNG کا ٹیرف زیادہ ہے۔

زیر جائزہ چھ ماہ کی مدت کے دوران خالص فروخت 386 ملین روپے رہی۔ جو گزشتہ سال کی اسی مدت کے دوران 1044 ملین روپے رہی۔ اس مدت کے دوران کاروبار میں کمی کی بجائے ترقی کی وجہ سے ہے اور پلانٹ کی کم صلاحیت کے استعمال کی وجہ سے فروخت کا حجم کم ہوا۔ فروخت کی لاگت 499 ملین روپے رہی۔ جو گزشتہ سال کی اسی مدت کے دوران 986 ملین روپے رہی۔ پیداوار کی صلاحیت کے کم استعمال اور پیداوار کی بڑھتی ہوئی لاگت کی وجہ سے، آپ کی کمپنی کا مجموعی مارجن منفی رہا۔ پہلے چھ ماہ کے دوران کمپنی نے ٹیکس کے بعد 220 ملین روپے کا خالص نقصان اٹھایا۔ اور ٹیکس کے بعد نقصان فی شیئر 3.99 روپے رہا۔ گزشتہ مالی سال کی اسی مدت میں خالص نقصان فی شیئر 1.67 روپے رہا۔

31 دسمبر 2022 کو ختم ہونے والی سہ ماہی کے دوران خالص فروخت 71 ملین روپے رہی۔ گزشتہ سال کی اسی مدت کے دوران 594 ملین روپے فروخت رہی۔ فروخت کی لاگت 145 ملین روپے رہی۔ گزشتہ سال کی اسی مدت کے دوران فروخت کی لاگت 511 ملین روپے رہی۔ کمپنی کو 111 ملین روپے کا بعد از ٹیکس خالص نقصان ہوا۔ فی شیئر نقصان 2.01 روپے رہا۔ گزشتہ سال کی اسی مدت کے دوران منافع 7 ملین روپے اور فی حصص کی آمدنی روپے اسی مالی سال کی تقابلی سہ ماہی میں 0.13 روپے رہی۔

تمام چیلنجوں کے باوجود، کمپنی کی انتظامیہ مستقبل کے کاروباری نقطہ نظر کے بارے میں مثبت رہی ہے۔ ہائیڈروجن پیرو آکسائیڈ کی مانگ اور اس کی قیمتیں مستقبل میں مضبوط رہنے کی امید ہے۔ ہمیں جاری مالی سال کی دوسری ششماہی میں بہت بہتری کا کردگی کا یقین ہے۔

بورڈ اس موقع پر تمام اسٹیک ہولڈرز کی مسلسل حمایت کا شکریہ ادا کرتا ہے۔ ہم اپنے ملازمین کی مسلسل وابستگی اور محنت کی بھی تعریف اور اعتراف کرتے ہیں۔

اللہ ہمیں آنے والے چیلنجوں کا مقابلہ کرنے کی ہمت عطا فرمائے۔ آمین

عمران خان
چیف ایگزیکٹو آفیسر

بارون احمد
ڈائریکٹر

بورڈ ممبران کی جانب سے

فیصل آباد

04 اپریل 2023



INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF SITARA PEROXIDE LIMITED REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Sitara Peroxide Limited** (the Company) as at December 31, 2022, the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows and notes to the financial statements for the six month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss, condensed interim statement of comprehensive income for the three-month period ended December 31, 2022 and related comparative information have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2022.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

During the period, the Company has incurred a gross loss and net loss for the period of Rs. 112.86 million and Rs. 220.06 million respectively (June 30, 2022: Rs. 63.20 million and Rs. 341.21 million respectively), and as at December 31, 2022, current liabilities exceed current assets by Rs. 349.09 million (June 30, 2022: Rs.107.67 million). The Company was unable to pay installments of long term financing and rental payments of sukuks of Rs. 177.46 million (June 30, 2022: Rs. 174.67 million). The plant of the Company has remained shut down from October 20, 2022 until March 02, 2023. These conditions along with other matters as disclosed in note 1.2 to interim financial statements, indicate the existence of material uncertainty about company's ability to continue as going concern.

These financial statements have been, however, prepared on going concern basis for the reasons more fully explained in note 1.2 to these interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Muhammad Sufyan.

Yousuf Adil

Chartered Accountants

Lahore

Date: April 18, 2023

UDIN: RR202210180n4fPx6TYw

Statement of Financial Position



Condensed Interim Statement of Financial Position (Unaudited) as at December 31, 2022

	Note	Un-audited December 31, 2022	Audited June 30, 2022
	Rupees.....	
ASSETS			
Non - current assets			
Property, plant and equipment	4	2,703,752,198	2,789,162,656
Long term advances and deposits		52,741,143	17,817,143
		2,756,493,341	2,806,979,799
Current assets			
Stores, spares and loose tools		118,877,422	116,585,945
Stock in trade		235,255,474	272,468,996
Trade debts	5	218,165,206	215,238,160
Loans and advances	6	278,344,897	129,102,245
Deposits and short term prepayments		145,611,871	146,463,633
Taxes refundable from government		110,928,649	182,317,697
Advance income tax		52,169,309	35,073,952
Cash and bank balances		9,955,838	1,816,178
		1,169,308,266	1,099,066,806
TOTAL ASSETS		3,925,801,607	3,906,046,605
EQUITY AND LIABILITIES			
Share capital and reserve			
Share capital	7	551,000,000	551,000,000
(Accumulated loss) / un-appropriated profit		(29,117,163)	140,654,535
Surplus on revaluation of property, plant and equipment	8	1,449,004,220	1,444,238,118
		1,970,887,057	2,135,892,653
Non - current liabilities			
Long term financing	9	-	17,437,818
Deferred tax liability		394,125,444	508,851,680
Staff retirement benefits		42,368,439	37,128,898
		436,513,883	563,418,396
Current liabilities			
Trade and other payables	10	445,738,848	380,738,235
Contract liabilities		182,287,409	178,838,380
Loan from chief executive officer	11	234,965,000	25,000,000
Accrued markup	12	249,781,099	233,263,515
Short term borrowings		148,634,552	129,184,738
Current portion of long term financing	9	229,186,901	236,705,593
Provision for taxation		27,826,858	23,005,095
		1,518,400,667	1,206,735,556
Contingencies and commitments	13		
TOTAL EQUITY AND LIABILITIES		3,925,801,607	3,906,046,605

The annexed selected notes from 1 to 23 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



Statement of Profit or Loss

Condensed Interim Statement of Profit or Loss (Un-audited) for the six Month Period Ended December 31, 2022

	Note	Six months period ended		Three months period ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Rupees.....					
Revenue from Contracts with Customer	14	385,741,038	1,044,150,232	70,591,320	593,630,005
Cost of sales	15	(498,601,272)	(985,556,238)	(145,085,257)	(511,386,723)
Gross (loss) / profit		(112,860,234)	58,593,994	(74,493,937)	82,243,282
Distribution cost		13,917,952	49,116,326	4,119,230	23,937,597
Impairment loss on financial assets		15,823,291	9,040,671	15,823,291	9,040,671
Administrative expenses		77,685,880	71,870,933	38,895,012	38,610,112
Other expenses		20,936,772	-	20,936,772	-
Finance cost		34,461,217	28,915,121	17,049,232	18,439,812
		(162,825,112)	(158,943,051)	(96,823,537)	(90,028,192)
Other income	16	775,274	345,115	753,375	99,464
Loss before taxation		(274,910,072)	(100,003,942)	(170,564,099)	(7,685,446)
Provision for taxation	17	54,845,156	8,211,060	59,572,402	14,925,982
Loss for the period		(220,064,916)	(91,792,882)	(110,991,697)	7,240,536
Earnings per share - basic and diluted	18	(3.99)	(1.67)	(2.01)	0.13

The annexed selected notes from 1 to 23 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Statement of Comprehensive Income



Condensed Interim Statement of Comprehensive Income (Un-audited) for the Six Months Period Ended December 31, 2022

	Six months period ended		Three months period ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Rupees.....			
Loss for the period	(220,064,916)	(91,792,882)	(110,991,697)	7,240,536
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(220,064,916)	(91,792,882)	(110,991,697)	7,240,536

The annexed selected notes from 1 to 23 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



Statement of Cash Flows

Condensed Interim Statement of Cash Flows (Un-audited) for the Six Months Period Ended December 31, 2022

	Six months period ended	
	December 31, 2022	December 31, 2021
Rupees.....	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(274,910,072)	(100,003,942)
Adjustments for:		
Depreciation	93,294,377	95,352,339
Profit on bank deposit	(25,274)	(190,153)
Impairment loss on financial assets	15,823,291	9,040,671
Provision for sale tax refundable	20,936,772	-
Provision for gratuity	6,100,735	4,047,863
Finance cost	34,461,217	28,915,121
	170,591,118	137,165,841
Operating (loss)/ profit before working capital changes	(104,318,954)	37,161,899
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(2,291,477)	39,248,165
Stock-in-trade	37,213,522	(12,331,594)
Trade debts	(18,750,337)	(52,116,899)
Loans and advances	(149,242,452)	(72,756,109)
Deposits and short term prepayments	851,762	(17,577,768)
Sale tax refundable from government	50,452,276	34,782,774
Increase / (decrease) in current liabilities		
Trade and other payables	65,445,498	68,250,491
Contract liability	3,449,029	10,945,575
	(12,672,179)	(1,555,365)
Net Cash (used in)/ generated from operations	(117,191,133)	35,606,534
Finance cost paid	(17,943,633)	(36,944,828)
GIDC paid	(444,885)	(23,542,469)
Gratuity paid	(841,195)	(3,624,433)
Income taxes (paid)/ refunded	(17,095,357)	12,765,414
	(36,325,070)	(51,346,316)
Net cash used in operating activities	(153,516,203)	(15,739,782)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,883,919)	(3,451,920)
Profit on bank deposits	25,274	190,153
Increase in long term deposits	(34,924,000)	-
Net cash used in investing activities	(42,782,645)	(3,261,767)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term financing	(24,976,510)	(11,595,331)
Short term financing excluding running finance	1,420,960	(7,630,494)
Loan from chief executive officer	209,965,000	-
Net cash generated from/ (used in) financing activities	186,409,440	(19,225,825)
Net decrease in cash and cash equivalents (A+B+C)	(9,889,408)	(38,227,374)
Cash and cash equivalents at beginning of period	(127,368,556)	(122,679,895)
Cash and cash equivalents at end of the period	(137,257,966)	(160,907,269)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	9,955,638	6,200,318
Bank overdraft	-	(14,107,587)
Running finance	(147,213,604)	(153,000,000)
	(137,257,966)	(160,907,269)

The annexed selected notes from 1 to 23 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR

Statement of Changes in Equity



Condensed Interim Statement of Changes In Equity (Un-audited) for the Six Months Period Ended December 31, 2022

	Share capital	(Accumulated loss) / unappropriated profit	Surplus on revaluation of property, plant and equipment	Total
Rupees				
Balance as at July 01, 2021 (audited)	551,000,000	377,944,872	1,599,883,873	2,528,828,745
Loss for the six months period ended December 31, 2021	-	(91,792,882)	-	(91,792,882)
Other comprehensive income for the six months period ended December 31, 2021	-	-	-	-
Total comprehensive income	-	(91,792,882)	-	(91,792,882)
Transfer to accumulated losses on account of incremental depreciation - net of tax	-	46,527,468	(46,527,468)	-
Balance as at December 31, 2021 - Un-audited	551,000,000	332,679,458	1,553,356,405	2,437,035,863
Balance as at July 01, 2022 (audited)	551,000,000	140,654,535	1,444,238,119	2,135,892,654
Loss for the six months period ended December 31, 2022	-	(220,064,916)	-	(220,064,916)
Other comprehensive income for the six months period ended December 31, 2022	-	-	-	-
Total comprehensive income	-	(220,064,916)	-	(220,064,916)
Impact of change in tax rate	-	-	55,059,319	55,059,319
Transfer to unappropriated profit on account of incremental depreciation - net of tax	-	50,293,218	(50,293,218)	-
Balance as at December 31, 2022 - Un-audited	551,000,000	(29,117,163)	1,449,004,220	1,970,887,057

The annexed selected notes from 1 to 23 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



Notes to the Financial Statements

Notes to the Condensed Interim Financial Information (Un-audited) for the Six Months Period Ended December 31, 2022

1 LEGAL STATUS AND OPERATIONS

1.1 Sitara Peroxide Limited ("the Company") is limited by shares, incorporated in Pakistan on March 08, 2004 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). The Company is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hassan Road, Karachi in the province of Sindh and the manufacturing facilities are located at 26-KM Sheikhpura Road, Faisalabad in the province of Punjab. The principal activity of the Company is manufacturing and sale of hydrogen peroxide (H₂O₂).

1.2 The Company incurred a gross loss of Rs. 112.86 million and net loss of Rs. 220.06 million respectively during the period (June 30, 2022: Rs. 63.20 million and Rs. 341.21 million respectively). As at the reporting date, the current liabilities of the Company exceed the current assets by Rs. 349.09 million (June 30, 2022: Rs.107.67 million). The Company was unable to pay installments of long term financing and rental payments of sukus of Rs. 177.46 million (June 30, 2022: Rs.174.67 million). The plant of the Company has remained shut down from October 20, 2022 until end of February 2023. These events and conditions may cast significant doubt over the Company's ability to continue as a going concern and the company may not realize its assets and discharge its liabilities in the normal course of business.

In current period CEO of company has provided interest free loan amounting to Rs.210 million (refer note 11 to the financial statements). Moreover, subsequent to period end, amount of Rs. 100 million is received from customers as advances, with injection of this amount, the Company has started its operations from March 02, 2023. The management is also negotiating with banks for restructuring of its outstanding loans.

The management of Company has prepared projected financial statements which have been duly deliberated and approved by the Board. Subsequent to the period ended, the Company has received SBLC from a Belgium based chemical company to export 6,800 Kgs of its existing fixed bed catalyst of Euro 577,387 and another shipment of 4,000 kgs will be ready for export in next few weeks. The management intends to use funds from these exports to import new catalyst which will improve the efficiency and increase the production of the Company. Moreover, the sponsors have planned to further inject Rs. 355 million in the Company which shall be utilized for Balancing, Modernization and Replacement (BMR) in addition to financing from banks. This BMR include implementing the latest and most efficient production technology through the conversion to slurry bed catalyst technology from fix bed catalyst technology. This upgrade will allow for greater efficiency and productivity in the production process and will enhance the production capacity of the existing plant by 40% and will result in significant reduction in per unit production cost, therefore increasing profitability. The CEO of company have also offered full support to meet any working capital needs, if required for foreseeable future.

Based on these plans and projections, the management has a reasonable expectation that the Company has and will have adequate resources to continue as a going concern and remain in operational existence for the foreseeable future. Accordingly, these financial statements have been, prepared on going concern basis to these interim financial statements.

2 BASIS OF PREPARATION

2.1 These condensed interim financial statements of the Company for the six months period ended December 31, 2022 have been prepared in accordance with the International Accounting Standard - 34 "Interim Financial Reporting", provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2022. Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2022 whereas comparative statement of profit or loss, comparative statement of comprehensive income, comparative statement of changes in equity and comparative statement of cash flows are stated from un-audited condensed interim financial statements for the six months period ended on December 31, 2021.

2.3 These condensed interim financial statements are un-audited. However, a limited scope review has been performed by the statutory auditors of the Company in accordance with section 237 of Companies Act, 2017 and they have issued their review

2.4 These condensed interim financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

3 ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies and methods of computation adopted in preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended June 30, 2022.

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the company's annual accounting periods beginning on or after July 1, 2022. However, these will not have any significant effects on the company's operations and are, therefore, not detailed in these condensed interim financial statements.

4 PROPERTY, PLANT AND EQUIPMENT

	Un-audited December 31, 2022	Audited June 30, 2022
NoteRupees.....	
4.1 Operating assets	2,703,752,198	2,789,162,656
Opening carrying value	2,789,162,656	3,015,780,434
Additions in vehicles during the period / year:	7,883,919	4,275,000
Net book value of assets disposed off during the period / year	-	(826,912)
	<u>2,797,046,575</u>	3,019,228,522
	<u>(83,294,377)</u>	(230,065,866)
Depreciation charged during the period / year	<u>2,703,752,198</u>	<u>2,789,162,656</u>

Notes to the Financial Statements



4.2 The Company follows the revaluation model. Revaluation of land, building and plant and machinery was carried out on 30 June 2022 by Materials & Designs Services (Private) Limited, independent valuer not related to the company. Materials & Designs Services (Private) Limited is on panel of Pakistan Banks Association as "Any Amount" asset valuer. It is also on panel of State Bank of Pakistan and possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations.

The fair value was determined using the comparable price method after performing detailed enquiries and verification from various estate agents, brokers and builders keeping in view the location of the property / project, condition, size, utilization, and other relevant factors.

The revaluation performed on June 30, 2021 resulted in further surplus of Rs. 550 million. Out of the total revaluation surplus of Rs. 3,920 million, Rs. 1,393 million net of tax (June 2022: Rs. 1,444 million) remains undepreciated as at December 31, 2022.

Details of the Company's revalued assets and information about fair value hierarchy, as at December 31, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
-----Rupees-----				
Land	-	308,281,250	-	308,281,250
Building	-	205,834,687	-	205,834,687
Plant and machinery	-	2,006,383,132	-	2,006,383,132

4.3 Had there been no revaluation, the net book value of the revalued assets would have been as follows.

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	Rupees
Land	41,997,852	41,997,852
Building	63,519,481	64,979,300
Plant and machinery	482,894,365	495,618,030
	588,411,698	602,595,242

5 Trade debts includes debtors to whom sales are made through traders. These are secured against advances received from traders in respect of sales. The amount is presented net of provision of doubtful debts.

6 These include advance to Sitara Spinning Mills Limited, a related party, of Rs. 42.27 million (June 30, 2022: Rs. 7.8 million) for purchase of packing material.

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	Rupees

7 SHARE CAPITAL

Authorized

60,000,000 ordinary shares of Rs. 10 each

600,000,000 600,000,000

Issued, subscribed and paid up 55,100,000

ordinary shares of Rs. 10 each

551,000,000 551,000,000

8 SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT

Balance at beginning of the period / year
Additions during the year
Transferred to unappropriated profit in respect of incremental depreciation charged during the year

2,002,922,890	2,144,593,926
-	-
(70,835,519)	(141,671,036)
1,932,087,372	2,002,922,890

8.1 Incremental depreciation charged during the period / year

Related deferred tax liability at the beginning of the year
Impact of change in tax rate
Related deferred tax liability of amount Transferred to unappropriated profit in respect of incremental depreciation charged during the year

558,684,771	599,769,372
(65,059,319)	-
(20,542,300)	(41,084,601)
483,083,152	558,684,771
1,449,004,220	1,444,238,119

9 LONG-TERM FINANCING

Banking companies and other financial institutions - secured

- Sukuk arrangement - syndicated
- Term finance
- TERF
Less: Current portion of long term financing

166,279,104	166,279,104
2,872,839	19,483,199
60,014,958	68,381,108
229,166,901	254,143,411
(229,166,901)	(236,705,593)
-	17,437,818

9.1 Out of the above mentioned loans, Rs. 177 million (June 30, 2022: Rs. 174.67 million) have become overdue.



Notes to the Financial Statements

10 TRADE AND OTHER PAYABLES

These include Rs. 2.7 million (J une 30, 2022 : 35.05) payable to Sitara Lubricants Limited, a related party of the Company.

11 LOAN FROM A CHIEF EXECUTIVE OFFICER

This represents an interest free loan provided by chief executive officer of the company amounting to Rs. 209 million during the period, in addition to Rs. 25 million provided in the previous period for working capital requirements payable at discretion of Company.

12 ACCRUED MARKUP

Accrued markup pertains to long term and short term loans. All of the markup have become overdue as at the reporting date.

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There is no change in the contingencies as reported in the annual financial statements for the year June 30, 2022.

13.2 Commitments

Guarantee issued by Bank on behalf of the Company
Irrevocable letters of credit for plant and machinery, raw and packing material

(Un-audited) December 31, 2022	(Un-audited) December 31, 2022
53,538,000	99,270,865
-	437,152,500

Six months period ended		Three months period ended	
December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
.....Rupees.....			

14 REVENUE FROM CONTRACTS WITH CUSTOMERS

Local sales	386,996,658	1,038,757,831	70,807,320	497,158,015
Export sales	-	5,392,401	-	-
Less: Discount	(1,255,620)	-	(216,000)	-
	385,741,038	1,044,150,232	70,591,320	497,158,015

15 COST OF SALES

Raw material consumed	182,657,795	412,041,893	38,780,762	129,394,625
Fuel and power	115,147,565	238,106,134	22,866,812	66,931,353
Packing material consumed	24,123,990	109,313,595	10,142,513	47,464,414
Salaries, wages and benefits	41,132,766	57,184,094	15,673,885	24,965,291
Factory overheads	106,662,989	158,137,138	45,787,318	67,893,043
Working solution consumed	24,864,819	9,424,021	8,934,663	99,986,095
Cost of goods manufactured	494,589,924	984,206,875	141,985,953	436,634,821
Finished goods				
- Opening stock	4,011,348	3,848,667	3,099,304	561,647
- Closing stock	-	(2,499,304)	-	(2,499,304)
	4,011,348	1,349,363	3,099,304	(1,937,657)
Cost of goods sold	498,601,272	985,556,238	145,085,256	434,697,164

16 OTHER INCOME

This includes mark-up on saving account amounting to Rs. 25,274 (December 31, 2021: Rs. 190,153) and income from scrap sale amounting to Rs. 750,000 (December 31, 2021: Nil)

17 PROVISION FOR TAXATION

Six months period ended		Three months period ended	
December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
.....Rupees.....			
Current - for the period	4,821,763	13,022,478	(1,893,159)
- for prior year	-	4,393,820	-
Deferred tax	(59,666,919)	(25,627,358)	(59,666,919)
	(54,845,156)	(8,211,060)	(61,560,078)

18 EARNINGS PER SHARE - BASIC AND DILUTED

(Loss) / profit the period	(220,064,916)	(91,792,882)	(110,991,697)	7,240,536
Weighted average number of ordinary shares outstanding during the period	55,100,000	55,100,000	55,100,000	55,100,000
Earnings per share	(3.99)	(1.67)	(2.01)	0.13

Notes to the Financial Statements



19 TRANSACTIONS WITH ASSOCIATES AND RELATED PARTIES

The related parties comprise associated company, directors, key management personnel and post employment benefit plan. The Company in the normal course of business carries out transactions with various related parties. The balances with related parties have been disclosed in the relevant notes to these condensed interim financial statements. The significant transactions with related parties are as follows:

	Note	Six months period ended	
		December 31, 2022	December 31, 2021
.....Rupees.....			
19.1 Transactions during the period			
Associated undertakings			
Organizational expenses	19.1.1	213,122	6,971,782
Advance given for purchase of packing material and stores		35,797,827	105,328,846
Key management personnel		21,522,435	25,114,562
Remuneration and other benefits paid		841,192	3,624,433
Employee benefits paid			

19.1.1 This represents expenses incurred by the company on behalf of Sitaraxeroxide Mills limited, a related party of Company.

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

The different levels at which the financial instruments are carried have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The fair value of financial instruments is approximately the same as their carrying value.

21 CORRESPONDING FIGURES

Corresponding figures have been rearranged for better presentation where necessary. However, no major reclassification has been made during the year.

Reclassification has been made to the corresponding figures to enhance comparability with the current year's financial statements. As a result, following line items have been amended in the statement of financial position, statement of profit or loss and related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

Reclassified from	Reclassified to	Rupees
Working solution consumed	Factory overheads	36,673,355

22 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 04, 2023.

23 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER

DIRECTOR



601-602 Business Centre, Mumtaz Hassan Road,
Off. I.I. Chundrigar Road, Karachi-74000.
Ph: 021 32401373, 32413944